

## **MONTANA BOARD OF HOUSING**

301 S. Park – Room 228, Helena MT  
November 18, 2008

### **ROLL CALL OF BOARD**

MEMBERS: J.P. Crowley, Chairman (Present)  
Betsy Scanlin, Vice Chairman (Present)  
Susan Moyer, Secretary (Present)  
Bob Gauthier (Present)  
Jeanette McKee (Present)  
Jeff Rupp (Present)  
Audrey Black Eagle (Present)

STAFF: Bruce Brensdal, Executive Director  
Gerald Watne, Multifamily Program Manager  
Nancy Leifer, Homeownership Program Manager  
Chuck Nemec, Accounting  
Penny Cope, Marketing & Web Specialist  
Paula Loving, Administrative Assistant  
Charlie Brown, Homeownership Program  
Doug Jensen, Homeownership Program  
Jeannene Maas, Homeownership Program  
Julie Flynn, Manufactured Housing Renovation Program

COUNSEL: Pat Melby, Luxan and Murfitt

UNDERWRITERS: Gordon Hoven, Piper Jaffray  
Peter Nolden, RBC  
Mina Choo, RBC  
Jared Hawskins, Edward Jones  
Mary Piontek, Edward Jones  
Al Hans, Piper Jaffray

OTHERS: John Grady, Monfric Inc.  
Sherry Stevens Wielf, United Way  
David Bjornson, Monfric Inc. /Bjornson Law Office  
Jeff Miller, Rocky Mountain Development Council  
Gene Leuwer, Rocky Mountain Development Council  
Court Allen, Treadstone Housing  
Fred Eoff, D.A. Davidson

Julie Krause, NetMore America  
Heather McMilin, homeWORD  
Nick Fluehr, Bank of America  
Tom O'Neill, Countrywide  
Lyndy Loomis, Countrywide  
Deborah Chorlton, USDA RD  
Maureen Rude, Neighborworks Montana  
Mat Rude

### **CALL MEETING TO ORDER**

Chairman JP Crowley called to Order at 9:00 a.m. The Director of Commerce, Tony Preite, welcomed everyone to the Montana Board of Housing (MBOH) meeting and thanked the Board members for their dedication to the Board. As he travels around the state, Tony hears only good reports about the MBOH.

### **APPROVAL OF MINUTES**

Jeanette McKee inquired regarding the process for a proxy vote as she was unable to attend the last meeting but requested Bruce Brensdal to relay her vote regarding the allocated tax credits item. Pat Melby, the MBOH counsel, clarified that proxy votes are not included. Bruce did state he did relay Jeanette's positions. Betsy Scanlin requested the proper language in regards to the Habitat for Humanity section. Betsy requested "how to utilize land trusts for these projects" be changed to "how to utilize 'such devices as' land trusts for these projects". Betsy Scanlin moved with changes and Jeff Rupp seconded. Chairman asked for comments. Minutes were approved with changes unanimously.

### **FINANCE PROGRAM**

Bruce Brensdal thanked all applicants for the time and dedication to submit their proposals. The Board recognizes the time and effort put into each of these applications. Staff presented the following:

As staff reviewed each RFQ the following items were considered key to our recommendation:

- The firm and key personnel have the experience to participate in housing bond issues
- The firm has the capacity to sell bonds institutionally
- The firm has the capacity to sell bonds retail with strong emphasis on in-state Montana capacity. **At the recent NCSHA conference in Denver it was stressed over and over by numerous underwriters that having a strong in-state retail capacity will be critical to selling bonds in this changing market.**
- The firm is financially strong

**General Recommendations:**

The staff recommends the Board keeps structure of having one Senior Underwriter. Several firms have recommended the Board switch to a rotating Senior Underwriter structure. Staff would strongly discourage this change because our volume of issuance would not warrant this change and the consistency of having one senior has worked very well in the past.

The staff recommends the Board appoint 4 co-managing underwriters. With the critical emphasis on retail distribution of bonds, firms that have a strong in-state ability to sell our bonds will be essential as we move forward.

#### **Team Recommendation Part 1:**

The staff would like to split the recommendation of team members into 2 portions. The first is what we feel is critical to the success of our programs as we move forward in this changing market:

- RBC Capital Markets and Peter Nolden and Mina Choo as Senior Underwriters – RBC, Pete and Mina have been a part of the MBOH team for many years and have consistently performed at the highest level. With Pete and Mina leaving our previous senior underwriter and joining the team of RBC that has been one of our strongest co-managers it is clear this is the very best choice for senior underwriter.
- D.A. Davidson and Piper Jaffray as co-manager underwriters – Both firms have performed at the highest level as members of our co-manager team for many years. D.A. Davidson has been our strongest retail distributor of bonds for many years and with Piper Jaffray being financial advisors for the State of Montana and their strong housing bond experience it is essential these two firms be appointed co-manager underwriters.

#### **Team Recommendation Part 2:**

The following is the second part to the staff recommendation addressing the final two members of the co-manager underwriters:

- Edward Jones as co-manager underwriter – Edward Jones has extensive retail distribution capacity in the state.
- Bank of America / Merrill Lynch as co-manager underwriters – These two firms will be combined in January 2009. The combination of these two firms provides a very strong retail distribution capacity combined with strong housing bond experience

Susan Moyer moved to adopt Part 1 recommendation and Betsy Scanlin seconded. The Chairman asked for comments. Part 1 recommendation passed unanimously. Betsy wanted to express the support for the staff's review of the proposals and the strength of RBC along with our current advisors, Pete and Mina. Betsy also stated D.A. Davidson has a huge Montana representation and Piper Jaffray has served the Board well. Susan agrees with Betsy. Bob Gauthier did not want anyone to think this was taken lightly. The fact that there is a vote shows the seriousness of this vote.

Betsy Scanlin moved to adopt Part 2 of the recommendation based on performance based feedback from MBOH, and Susan Moyer seconded.

Chairman asked for comments. Jeanette McKee expressed the need for GK Baum to be added to the team in Part 2. Jeanette stated GK Baum attends the board meetings consistently and they offer an out-of-state presence. Betsy agreed with Jeanette. JP Crowley stated that at the NCSHA conference, the overall opinion of bonds, going forward, will be in retail. JP stated while they have been represented at board meetings, the role is sell bonds. Jeff Rupp agreed with Jeanette with regards to the representation at board meetings with GK Baum and suggested in adding a fifth team member, there's the possibility to create a performance base, with a review.

Jeanette McKee moved to amend Part 2 to add GK Baum as co-manager underwriter in addition to Edward Jones and Bank of America/Merrill Lynch. Jeff Rupp seconded the motion. The Chairman asked for comments. Betsy Scanlin stated that looking through the information GK Baum had a strong proposal but did not perform strongly while being a selling group member due to the lack of a instate presence. Edward Jones and Bank of America/Merrill Lynch have a local presence in Montana. Bob Gauthier asked for further clarification from Peter Nolden on the reference of some proposals to sell Montana bonds out of state retail. Peter stated that while there are groups who have outside retail investments, they do not purchase at the low rate for MBOH because they do not have the incentive tax break from Montana.

Roll Call Vote to amend Part 2 to add GK Baum as co-manager underwriter in addition to Edward Jones and Bank of America/Merrill Lynch:

Betsy Scanlin – NO

Audrey Black Eagle – NO

Jeff Rupp – YES

Jeanette McKee – YES

Bob Gauthier – NO

Susan Moyer – NO

Motion failed.

Original Part 2 recommendation to add Edward Jones and Bank of America/Merrill Lynch as co-manager underwriters was approved unanimously.

Bruce provided the quarterly investment report and report to Moody's. There is no concern about the findings of the reports at this time.

JP Crowley thanked the finance team and staff for sifting through all of the information on the RFQ for underwriter.

### **MULTIFAMILY PROGRAM**

Gerald Watne provided an update on the Vista Villa Conduit Bond Deal. Gerald stated the project is currently on hold. Fred Eoff, D.A. Davidson, stated it has been very difficult to bring the equity investors into the market due to the capital and economic strains. In addition, Freddie Mac and Fannie Mae have been out

of the market for a while now and they were the primary investors. These two projects are below the cut until the end of the year. After the new year, the new funding cycle will provide a new line of equity.

Gerald Watne informed the Board of two rehabilitation projects, Treasure State Plaza Apartments and Glacier Manor Apartments, are requesting the 4% Tax Credits. Susan Moyer recused herself from the Treasure State Plaza Apartment and Glacier Manor Apartments vote due to personal involvement. Gerald stated these projects meet the minimum requirements. Court Allen, Treadstone Housing, provided history of the projects. Court stated these projects are contingent on Section 8 HAP Contracts in order to meet current income levels. Betsy Scanlin moved to approve requests for the projects with the amendment that these projects meet the minimum points and reflect the Section 8 program necessity. Bob Gauthier seconded. Chairman asked comment. Court Allen clarified a 20 year contract with Section 8 has been requested.

Chairman Crowley asked for public comment. Susan Moyer stated she helped them with Federal home loan application and suggested potential partnerships with United Way and these are much needed programs.

Jeff Rupp stated that these projects need to go forth. The section 8 HAP contracts are critical. Jeff stated for the record, this firm, Monfric Inc., is not an unfamiliar firm. Jeff stated that this firm has been involved in a project in Bozeman. Jeff reported that residents of Bozeman project have experienced lack of responsiveness from this firm. Jeff appreciates that United Way is part of this. Gerald Watne stated that there have been serious discussions with John Grady and he shows the understanding of the concerns of the past and is agreeing working towards a better project in Kalispell.

Sherry Stevens, United Way, stated that United Way is putting their reputation on the line within the Kalispell area. They have developed a relationship with Monfric Inc., and the community and they will be an active partner with these projects.

Motion passed.

Gerald Watne requested the Release from Restrictive Covenants for the J & L Rental. This is a one unit family project in Joliet, Montana owned by Mark J. and Lori Davis and has completed the 15 year initial compliance period in December. Susan Moyer moved to release and Jeff Rupp seconded. Chairman asked for comments. Jeff asked whether this is setting a precedence going forward with several projects coming forth. Pat Melby clarified that based on each project's situation, a recommendation would be brought forth. Betsy Scanlin noted the lack of affordable housing in the Carbon County area and questioned why MBOH would release anyone from these covenants as she believes that releasing the restrictive covenants is setting a precedent for future.

Betsy Scanlin moved to amend the motion to include that this unit is sold to an individual that would qualify for the MBOH home buyer program. Jeff Rupp seconded the motion. The motion passed unanimously.

Gerald Watne provided a Multifamily update. The position of Multifamily Program Officer plans to be filled by mid-December.

Jeff Rupp asked for an update on the current Tax Credits. Gerald Watne stated Eagle Manor II has some issues; Ouellette Project in Lewistown is struggling; Garden District area is having some issues; and Blackfeet Housing is having serious struggles.

Gene Leuwer, Rocky Mountain Development Council, gave his insight on the current situation. Gene's believes there is enough equity in the market to do 30 to 40% of the projects. In Montana projects, being in smaller markets and less experienced are more difficult to sell. Fred Eoff, D.A. Davidson, agreed with Gene's comments. There is currently not enough equity to meet the tax credits. Therefore, they are looking for the best project and are being very selective on their resources. Heather McMilin, homeWORD, asked the Board to provide leniency as much as possible when projects come to the Board. These investors are overlooking Montana as a whole.

#### **HOMEOWNERSHIP PROGRAM**

Peter Nolden, RBC, provided an update on the 30 year Treasury Yields, since the Housing Bill passed in July. Bob Gauthier asked if there are any serious risks for the MBOH. Peter assured the Board that they have taken all actions to protect them from this turbulent time. MBOH has received a good report. Mina Choo, RBC, added the Board's conservative view during this time has served the MBOH financial status very well.

Nancy Leifer introduced Tom O'Neill and Lyndy Loomis from Countrywide who are seeking approval as a Participating Lender. Tom and Lyndy provided a history of Countrywide since the Board denied approval last November.

Jeff Rupp moved to have Countrywide's Participating Lender Application be approved and was seconded by Susan Moyer. Chairman Crowley asked for comments. Jeff stated he is in favor of staff recommendation. The motion passed unanimously.

Nancey Leifer introduced Julie Krause from NetMore America, who is seeking approval as a Participating Lender. Julie provided a history of NetMore America.

Jeanette McKee moved to approve the NetMore America as a Participating Lender and Bob Gauthier seconded the motion. Chairman asked for comments. The motion passed unanimously.

Nancy Leifer provided an update for the Bond. Staff raised the rate to 6.5% as of Friday, November 14, 2008. Jeff Rupp expressed that the 6.5% may not be close enough to the new bond issue projections that may come in March at 7.5%. Nancy stated they may need to raise it higher to get closer to the projected new bond issue.

Julie Flynn provided a manufactured home replacement program update. The focus is being directed to Missoula and Billings areas because of the high percentage of the manufactured homes.

Nancy Leifer updated the Board on the set-aside program update and made three recommendations: 1) Extend the Rural Development Loan Leverage Program to December 31, 2009; 2) Allocate \$2 million and extend the HUD 184 program to June 2010; and 3) Extend the Lot Refinance Program set-aside of \$869,252 to December 31, 2009. Bob Gauthier moved to approve all three set-aside program recommendations and Susan Moyer seconded the motion. Chairman Crowley asked for comments. The motion passed unanimously.

Nancy Leifer provided the delinquency and foreclosure reports.

#### **EXECUTIVE DIRECTOR**

Bruce Brensdal had Penny Cope provide an update on the White Paper findings. Penny sent out an email, along with the findings and any feedback is due the Friday after Thanksgiving.

Meeting adjourned at 12:30 p.m.

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Susan Moyer, Secretary

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Date